



Item: Resolution 9755, Authorizing the Issuance and Fixing the Terms and Conditions of \$4,010,000 in Water Revenue Bonds

From: Martha Capps, Operations Supervisor

Initiated By: Fiscal Services, Public Works/Water Utility

Presented By: Coleen Balzarini, Fiscal Services Director

Action Requested: Adoption of Resolution 9755

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission adopt or deny Resolution 9755”

2. Mayor calls for a second, discussion, inquiries from the public, and calls for the vote.

Staff Recommendation: Staff recommends adoption of Resolution 9755, authorizing the issuance and fixing the terms and conditions of \$4,010,000 in water revenue bonds

Background: To avoid emergency water main break situations, the City Water Distribution department is proactively improving the utility lines in most need of repair. City Engineering has determined that \$3,700,000 in construction funds are necessary to complete seven separate planned areas of replacements throughout the City during the next two construction seasons. As bids are received and if funds are available, additional projects may be added. The seven replacement projects will be constructed in various phases in the following areas:

2nd Avenue South: 5th to 7th Street South; 6th Avenue South: 9th to 14th Street South;
7th Avenue South: 4th to 14th Street South; 8th Avenue South: 4th to 9th Street South;
8th Avenue South: 13th to 14th Street South; 9th Street South: 10th to 17th Avenue South;
19th Avenue South: 14th to 17th Street South; 20th Avenue South: 14th to 18th Street South;
5th Avenue SW: 14th to 20th Street Southwest; 14th Street SW: 3rd to 5th Avenue SW;
16th Street SW: 4th to 5th Avenue SW

The issuance of water utility system debt, in the amount of \$4,010,000, includes construction, contingency, debt reserves, bond counsel and related costs. City staff has provided the engineering and construction services required for these projects.

On May 6, 2008, the Commission adopted Resolution 9745, acknowledging the commitment of DNRC to finance and authorize Staff to proceed with the issuance of the bonds. The Department of Natural Resources and Conservation has agreed to finance the debt at 3.75% per annum, for 20 years, plus a one time origination fee of 1%. All engineering services have been completed through City staff. All issuance fees and costs will be paid out of this financing. Pending completion of the financing process, cash balances in the water fund will provide sufficient cash to pay upfront expenses. This debt financing supplements the yearly capital improvements constructed using accumulated funds. The City currently has similar financing in place for Sewer, Storm Drain, and other Water debt financings. Staff anticipates the bond closing on July 17, 2008.

Concurrences: 2006 Water Master Plan includes these projects. Dorsey & Whitney, LLC is serving as bond counsel. In this capacity, they prepare necessary resolutions and other documents requiring action by the City Commission and staff, and the DNRC. They will also provide assurance that the procedures used to issue the bonds are in compliance with rules and regulations regarding the issuance of tax exempt revenue bonds, and also in compliance with existing bond ordinances of the outstanding Water System Revenue Bonds of the City.

Fiscal Impact: Taking a proactive replacement approach to water main replacements has decreased the likelihood of unforeseen breaks, which causes service interruptions to our customers and potentially large, unavoidable construction costs in an emergency situation. In 2002, the City had 90 breaks, compared to 73 in 2007. The water utility rates, implemented in February 2008, are capable of supporting this debt issuance.

Alternatives: The City Commission may deny passage of the resolution and the issuance of debt. Under this alternative, water distribution projects will be scaled back to a greatly reduced level that can be paid for with existing water fund resources or until such time that an emergency situation occurs.

Attachments/Exhibits: Resolution 9755, Resolution Relating to \$4,010,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2008; Authorizing the issuance and fixing the terms and conditions thereof.